

HOUSING AUTHORITY OF ASOTIN COUNTY
Asotin County, Washington
January 1, 1992 Through December 31, 1992

Schedule Of Findings

1. The Housing Authority Should Establish A System Of Administrative Controls To Ensure Compliance With Federal Requirements

The housing authority did not have a comprehensive system of administrative controls to facilitate the identification, implementation, and monitoring of federal requirements.

The "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments*, as referenced by the *Compliance Supplement for Single Audits of State and Local Governments*, and prescribed by the U.S. Office of Management and Budget, (OMB) Subpart C, Section .40(a) states:

Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.

This condition contributed to the following violations of federal law or regulation:

a. Davis-Bacon Act - Prevailing Wage Rates

The housing authority did not have a monitoring system in place to ensure that prevailing wages were paid on construction projects.

The Davis-Bacon Act requires that all laborers employed by contractors or subcontractors to work on construction projects financed by federal financial assistance must be paid wages not less than those established by the Secretary of Labor for the locality of the project.

b. Land, Structures, And Equipment - Accounting And Annual Inventory

As discussed in previous audit reports, the housing authority did not properly account for its fixed assets. Specifically:

(1) Improper segregation of duties. Project accounting and property records maintenance functions were not segregated from the general ledger accounting and reporting functions. One person performed all of these functions. This individual was also responsible for maintenance of inventory records, physical custody of assets, and performance of the annual inventory.

(2) Detail asset records are not adequate to support balances shown in the general

ledger accounts. They also do not consistently indicate the description, identification number, location of property, acquisition date, source of funding, cost of property, or disposition of the assets.

(3) There is no evidence that an annual inventory of equipment was conducted during 1992, as required.

The "Common Rule," Subpart C, Section .20(b)(3) states:

Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

The "Common Rule," Subpart C, Section .32(d)(1) states:

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

The U.S. Department of Housing and Urban Development (HUD) *Low-Rent Accounting Handbook* 7510.1, Chapter 7, requires that an annual inventory of expendable and nonexpendable equipment be conducted.

c. Financial Administration

The housing authority requested and received \$4,638.50 for WA19P017907Z Modernization Project. Neither the request nor the support for the amount requested was retained on file for audit and management purposes. Refer to the Schedule of Questioned Costs which accompanies this report.

The "Common Rule," Subpart C, Section .42(b)(1) and (2) states:

(1) . . . records must be retained for three years from the starting date specified in paragraph (c) of this section.

(2) If any litigation, claim, negotiation, audit or other action has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is longer.

We consider the weaknesses reported above to be material instances of noncompliance with federal laws or regulations and reportable conditions.

Failure to comply with federal laws or regulations could allow errors or irregularities to occur and not be detected in a timely manner. Our ability to audit the financial operations of the housing authority is also impaired.

We recommend the housing authority:

- a. Develop a comprehensive system of administrative controls to ensure that federal requirements are identified, implemented, and monitored.
- b. Ensure that reimbursement requests and documentation to support costs claimed are retained on file.

2. The Housing Authority Should Establish A System Of Accounting Controls To Ensure Compliance With Federal And State Requirements

The housing authority did not have a comprehensive system of accounting controls to facilitate the identification, implementation, and monitoring of federal and state requirements.

The "Common Rule," Subpart C, Section .20(b)(3) states:

Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

a. Cash Receipts

There was an inadequate segregation of duties in the cash receipting function. A single individual had access to cash, custody of investments, prepared receipts and disbursements, purchased and sold investments, maintained the accounting records, and performed all reconciliations of the accounting and banking accounts.

Cash receipts were not deposited immediately or intact. Cash receipts were used to cash personal checks of the previous executive director, make cash expenditures, and convert personal checks received for the sale of surplus property to cash which was held at the housing authority.

The *Constitution of the State of Washington*, Article 11, Section 15 states:

All moneys . . . belonging to or collected for the use of any . . . public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depository to credit of such . . . corporation

b. General Ledger Accounting

(1) Control accounts were not always supported by or reconciled with subsidiary ledgers.

(2) Journal entries were not consistently supported by adequate documentation or descriptions. No independent review was performed. Postings were made to accounting records by the same individual who prepared the journal entries.

(3) There was an inadequate segregation of duties. The same individual maintained the general ledger and subsidiary ledgers; performed the principle accounting, treasury, and custody functions; and prepared and submitted all federal and state reports.

We consider the internal control weaknesses reported above to be both material instances of noncompliance with federal and state laws or regulations and reportable conditions.

Failure to comply with federal and state laws or regulations could: (a) jeopardize the housing authority's ability to obtain future federal funding; (b) allow errors or irregularities

to occur and not be detected in a timely manner; and, (c) impair our ability to audit the financial operations of the housing authority.

These conditions were disclosed in previous audits. Although officials have currently made significant personnel changes, these changes were made subsequent to the audit period.

We recommend the housing authority develop a comprehensive system of accounting controls to ensure that federal and state requirements are identified, implemented, and monitored.